

# ADVICE & COUNSEL<sup>SM</sup>

N E W S L E T T E R

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Because We Care...*

## Speculating on Real Estate

**W**hile stock market averages and mutual fund prices have remained largely flat over the past 5 years, home prices have soared in much of the US.

Assuming that real estate prices will continue to rise, some people have been considering using their savings nest eggs as down-payments on second or third homes as “investments.” The National Association of Realtors reports a huge rise in the purchase of homes for investment purposes. This speculation, together with low interest rates, has been feeding the price increases. Yet it also poses the risk of a bubble. We all remember the bubble in dot com stocks, before they crashed. The same thing can happen with real estate. That can leave individual investors with large losses should prices plummet and buyers disappear.

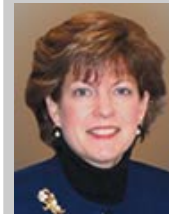
Anyone who tells you an investment in real estate can't go down is just plain wrong. Millions of Japanese who bought real estate in the early 1990s lost more than half of their investment; even a decade later they cannot sell these investments except at a big loss. It could happen here, too.



Unlike investments in interest-bearing accounts or stocks, real estate investments involve significant carrying costs, including property taxes, mortgage payments, insurance, and ongoing maintenance and repairs. Also, real estate is not liquid. If you ever were to need money in a hurry, selling real estate often is a frustrating and lengthy process that involves heavy broker commissions. So if you're thinking of an assured quick and profitable turn-around for a real estate investment, think again.

What if you want to find a “fixer-upper” to resell? This may make sense, but only if you have the skills, time and money to do it yourself. Even then it is profitable only if you can sell it at a high enough price to cover carrying costs and the cost of construction material, professional services during renovation, along with sales commissions.

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## Such Courage

My family and I are avid college basketball fans, and especially this time of year, we in Connecticut come together to support our University of Connecticut men's and women's basketball teams. The women are particularly inspiring to watch, as they have achieved a significant national record in a short time, opening doors to a challenging college sport for talented young women. They and many other women's college teams exemplify to young women everywhere what can be achieved with hard work, passion and courage.

February is Black History Month and a time to reflect on the courage of those who have made a difference. Rosa Parks, a pioneer of Civil Rights, with a quiet act of strength in a time of unbridled racial injustice, refused to give up her seat on a bus. The events that spiraled from that one courageous act in 1955 captivated the nation and transformed a 26 year-old preacher named Martin Luther King Jr. into a major civil rights leader. Mrs. Parks persevered in work for freedom for all oppressed people. She died in October 2005 at the age of 92, but her legacy lives on. It was the modesty of her example that's so inspiring, and sustains the hope that human courage lives on!

We hope ING's Financial Lifeline provides you comfort knowing the legacy left to you is secure.

**Best Regards, Nancy Clifford**  
Vice President ING's Financial Lifeline

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# Hiring a Tax Preparer

**B**y now, many people have begun thinking about their tax returns. More than half of American filers hire a professional to prepare their tax returns.

Should you hire a tax professional? If you are eligible to file a 1040-EZ return then you probably don't need to. If you itemize deductions or file complex returns, are in the military, have significant capital gains, own a small business, or live in a state with high income taxes, you may benefit from the assistance of a professional tax preparer.

Some people are entitled to free tax preparation service. The IRS has trained volunteers who provide free tax help to people age 60 and up. Call 1-800-829-1040. AARP assists low- and middle-income taxpayers at 1-888-227-7669 or [www.aarp.org/money/taxaide/](http://www.aarp.org/money/taxaide/)

How do you choose a tax preparer? Hiring a friend with a bookkeeping background may be better than doing it yourself, but a CPA or an Enrolled Agent licensed by the Department of the Treasury have the most training. The storefront tax preparers can prepare simple returns, but they often have very limited tax training, even if you use one of the national chains. Be prepared for high pressure sales pitches for their brokerage and mortgage services.

**When choosing a tax preparer**

- Get references. Do you know others who were satisfied with the work of the tax professional? Making sure the preparer is legitimate reduces the risk of identity theft or other abuse of your

personal information.



- Avoid someone who claims he can get you a larger refund than other preparers, or who bases fees on a

percentage of the amount of the refund. Agree on a fee up front.

- Never sign a blank tax form. Thoroughly review your return before you sign it and ask questions on entries you don't understand.

- Consider how likely it is the individual or firm will be around to answer questions about your tax return years after the return has been filed in the event of a tax audit or follow up from the IRS.
- Even if someone else completes your return, you are ultimately responsible for the information on it; you could face late fees and penalties if the return is prepared incorrectly.

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## Trustworthy Trust Pros

**Q** My mom wants to set up a Living Trust, but was asked for information about her assets and accounts, and she fears that would make it too easy for someone to steal everything she owns. How should she protect herself?



regulation. Similarly, lawyers and CPAs are licensed professionals that can be trusted with confidential information.

Your mother should use a lawyer, and not a “document service” to prepare her Living Trust. Many of these “trust mills” promise low cost Trusts as a come-on to gather extensive financial information as part of a scheme to sell high-commission investment products; some are operated by disbarred professionals or rogue brokers.

**A** While it is reasonable to be concerned about the safety of one's money and the possibility of identity theft, there is a difference between being cautious and being paralyzed with fear. We all take prudent risks every day just by getting out of bed.

Anytime we divulge sensitive information -- whether on paper, by phone or online -- there is an element of risk. We also recognize that keeping all our assets under the mattress is even more risky.

How can we best protect ourselves?

It is important to only deal with firms and individuals who are trustworthy. Banks and insurance companies have safeguards in place to protect sensitive data and are subject to stringent financial

If she is still concerned, consider keeping the account numbers and the names of the firms that hold her assets confidential. While her lawyer will need the value of all her assets to minimize potential estate tax, she can ask the lawyer to prepare blank letters of instruction and schedules of the assets she will transfer, and then fill in the blanks herself and send the forms to the banks and brokers. However, if she's dealing with a reputable professional, it is probably wiser to let the professional handle it.

# Loans on IRS Refunds

**G**et money in as little as one day. Pay nothing up front. The ads sound enticing. Refund anticipation loans (RALs) are directed at people too impatient or with such pressing money needs that they cannot wait an extra couple of weeks for their IRS refund.

Seeing a lucrative market, many companies, especially tax preparation firms, offer taxpayers the opportunity to get a cash advance on their IRS refund. The problem is that the interest rates can be exorbitant – the National

Consumer Law Center says that in some cases the annualized rates exceed 700%! And that's to borrow your own money.

Consumer groups warn against these short-term high-interest loans. They cite stories about car dealers and other retailers taking advantage of taxpayers by applying anticipated refunds towards down-payments on automobiles, vacations, appliances, or furniture.

If you do expect an IRS refund and want the money sooner, take advantage of the IRS's e-file program which is free to many taxpayers. You should have the check no later than 28 days after filing online. If you allow the IRS to deposit the refund directly into your bank account, the money can be available to you even faster – generally within two weeks.



## *Rosa Parks: A Small Woman Who Made a Big Mark in Civil Rights*

**F**ifty years ago Rosa Parks took a seat on a Montgomery, Alabama bus and refused to move to the rear. This seemingly innocent act led to her arrest and launched a movement to end some of the more egregious forms of discrimination. Thanks to her courage, the 42-year old seamstress paved the way for millions of other Americans to be treated with dignity and equality.

Mrs. Parks' arrest sparked a bus boycott, mass peaceful demonstrations against racial injustice, and eventually led to legislation and court decisions making segregation illegal.

Despite her courageous stand, Mrs. Parks and her husband both lost their jobs following her arrest. Facing death threats they moved to Detroit where she worked for many years in the office of U.S. Congressman John Conyers.

Rosa Parks never expected fame or a place in history. Nonetheless, in 1996 she was awarded the Presidential Medal of Freedom. Following her death in October 2005, her body lay in state in the U.S. Capitol where thousands, including the President, paid their final respects.

Several years before her death Mrs. Parks, who left no children, prepared a Will and a Trust naming her loyal work assistant, Elaine Steele, and a retired judge, Adam

Shakoor as her personal representatives to handle her estate. Now Mrs. Parks' nephew and his siblings are seeking control of the estate. Mrs. Parks was not wealthy; the most valuable asset in her estate is the intellectual property rights to her name and likeness. When a rap duo used Mrs. Parks' name in a song title, Ms. Steele sued on behalf of Mrs. Parks and received a settlement.

Her nephew claims that Mrs. Parks lacked mental capacity at the time she signed her Will and Trust because she was suffering from adult dementia. The family also claims that she was subject to undue influence and that Ms. Steele, who had been Mrs. Parks' legal guardian for many years, mismanaged Mrs. Parks' funds and sullied her legacy by permitting the use of her name and likeness for commercial purposes. No matter who wins in court, the small woman who had a big role in the nation's history will continue to inspire others.

**Lessons:** 1) Mrs. Parks herself said: "Memories of our lives, of our works and our deeds will continue in others." 2) Mrs. Parks espoused a philosophy of "dignity with pride, courage with perseverance." These lessons remain valid today. 3) Even if you are not wealthy, the time to prepare your Will, and (if needed) a Trust is now. Delay only increases the possibility that something may happen, making your legacy subject to challenge.

# Senior Companions

Persons over age 60 can volunteer to become Senior Companions under a federally-financed program to help older adults remain independent. The jobs range from doing chores or offering transportation for those needing extra assistance, to just providing companionship.

The program is part of Senior Corps, an independent federal agency created to connect Americans with opportunities to give back to their communities and their nation. To participate, you must agree to serve at least 15 hours each week. Volunteers receive training, as well as reimbursement for transportation and some meals, and accident and liability insurance while on duty. Helping others can be a reward in itself. To volunteer, go to [www.seniorcorps.gov](http://www.seniorcorps.gov) or call 1-800-424-8867.

Sources used in this issue include: IRS, FreeAdvice.com, Bankrate.com, Nat'l Consumer Law Ctr, U. Missouri, Ebony, RosaParks.org, CDC, Medicare Rights Ctr, B. Welther, Ohio Dept. of Aging, Business Week, NAEA.org, Natptax.com.

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# Start a Landscape Design

The calendar still says winter, but it's not too early to start planning your garden. A well-landscaped home is enjoyable to look and can enhance the value of your home. Here are some suggestions to get you started:

- Make a landscape plan. While professional designers spend years learning their craft, it is possible to create a simple plan oneself. The more ambitious your objectives, the more likely it is to make sense to hire a professional to help you in the design phase.
- Outline your garden with a hose, spray paint, or stakes. Then make a drawing of your property, including the garden, to scale on graph paper, e.g. each 1/8 inch square on the grid could equal 1 foot of garden space.
- Take into consideration the climate, soil type (many cooperative extensions at universities will do a soil analysis), drainage, and the amount of light and water your garden receives.

A great source for small projects

is the garden center at a home improvement store. They carry a large selection of plants that will thrive in your climate -- all labeled with light, water and space requirements, and often guaranteed.

If you are buying in large quantities, a wholesaler may be willing to work with you and provide a discount. It's worth a call or two.

When selecting your plants, experts suggest to vary by height and color, plant in curved "waves" rather than in straight lines, and take into account when the flowers bloom so you have continuous floral displays.

Consider installing a sprinkler system before planting.

Start small. Don't do too much too soon. Allow the landscape plan to evolve over time. Anticipate how the garden will look in a few years and be patient with initial results.

Avoid overcrowding. Remove old shrubs that are eyesores or out of scale. Thin out plants that are taking over a garden. Use mulch to fill in areas.



# Real Estate

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Purchasing rental properties may seem appealing. Again, such real estate investments are not guaranteed to make money. In many regions, rental rates have softened and vacancy rates are up. Will you be capable of maintaining and managing your property or will you have to hire someone? Tenants can be unreliable; they may not pay on time or take care of your property. Unoccupied units are subject to vandalism. Ask a friend who has an income rental property if it is worth the hassle.



A real estate investment can not provide a gain until it is sold. Always make certain that you have sufficient emergency funds to pay for your own needs and expenses in addition to a separate fund for your investment property.

Extraordinary price increases are rarely sustainable with any assets, real estate included. Do not have false hopes about potential future gains. Investing in real estate involves risk; do not take it lightly. In contrast, the money in your insurance proceeds account is guaranteed safe, earns interest and is always accessible.